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IGG INC

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8002)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2015

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

	For the three months ended 31 March			
	2015		2014	
	US\$'000	HK\$'000 ²	US\$'000	HK\$'000 ²
	(Unaudited)		(Unaudited)	
Revenue	53,585	415,578	44,055	341,669
Profit for the Period	13,990	108,499	13,647	105,839
Profit for the Period attributable to owners of the parent	13,949	108,181	13,647	105,839
Adjusted net income ¹	14,797	114,758	13,821	107,189

- The Group's revenue for the Period was approximately US\$53.6 million, representing an increase of approximately 21.5% over the revenue of approximately US\$44.1 million for the corresponding period in 2014 and a decrease of approximately 11.4% over US\$60.5 million for the three months ended 31 December 2014.
- The Group's profit for the Period was approximately US\$14.0 million, representing an increase of approximately 2.9% over US\$13.6 million for the corresponding period in 2014 and a decrease of approximately 7.3% over US\$15.1 million for the three months ended 31 December 2014.
- The Group's profit attributable to owners of the parent for the Period was approximately US\$13.9 million, representing an increase of approximately 2.2% over US\$13.6 million for the corresponding period in 2014 and a decrease of approximately 9.2% over US\$15.3 million for the three months ended 31 December 2014.
- The Group's adjusted net income for the Period was approximately US\$14.8 million, representing an increase of 7.2% over US\$13.8 million for the corresponding period in 2014 and a decrease of approximately 6.9% over US\$15.9 million for the three months ended 31 December 2014.
- The Directors of the Company resolved not to declare any dividend for the three months ended 31 March 2015 (three months ended 31 March 2014: nil).

1 Adjusted net income represented profit excluding share-based compensation. It is considered a useful supplement to the condensed consolidated statement of profit or loss indicating the Group's profitability and operational performance for the financial periods presented.

- 2 Amounts denominated in U.S. dollars have been converted into Hong Kong dollars at an exchange rate of HK\$7.7555=US\$1.00, for illustration purpose only. Such conversions shall not be construed as representations that amount in U.S. dollars were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

FIRST QUARTERLY RESULTS (UNAUDITED)

The Board is pleased to announce the unaudited consolidated quarterly results and the unaudited condensed consolidated financial statements of the Group for the Period, together with the comparative figures for the corresponding period in 2014. These results have been reviewed by the Company's audit committee, comprising all of the independent non-executive Directors and non-executive Directors, with one of the independent non-executive Directors chairing the audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the three months ended 31 March	
	<i>Notes</i>	2015	2014
		<i>US\$'000</i>	<i>US\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	3	53,585	44,055
Cost of sales		<u>(16,663)</u>	<u>(11,876)</u>
Gross profit		36,922	32,179
Other income and gains	3	696	174
Selling and distribution expenses		(10,813)	(11,064)
Administrative expenses		(5,526)	(2,985)
Research and development costs		(5,607)	(3,261)
Other expenses		<u>(678)</u>	<u>(361)</u>
PROFIT BEFORE TAX		14,994	14,682
Income tax expense	4	<u>(1,004)</u>	<u>(1,035)</u>
PROFIT FOR THE PERIOD		<u><u>13,990</u></u>	<u><u>13,647</u></u>
Attributable to:			
Owners of the parent		13,949	13,647
Non-controlling interests		<u>41</u>	<u>—</u>
		<u><u>13,990</u></u>	<u><u>13,647</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
(expressed in US\$ per share)			
Basic			
- For earnings for the period		0.0102	0.0100
Diluted			
- For earnings for the period		0.0098	0.0095

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

	For the three months ended 31 March	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PROFIT FOR THE PERIOD	<u>13,990</u>	<u>13,647</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(292)	(23)
Available-for-sale investments:		
Changes in fair value	<u>(534)</u>	<u>158</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>(826)</u>	<u>135</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>13,164</u>	<u>13,782</u>
Attributable to:		
Owners of the parent	13,123	13,782
Non-controlling interests	<u>41</u>	<u>—</u>
	<u>13,164</u>	<u>13,782</u>

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent												
	Issued capital	Share premium account	Share option reserve	Shares held for award schemes	Available-for-sale investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation		Retained profits	Total	Non-controlling interests	Total equity
								reserve	reserve				
								US\$'000	US\$'000				
At 1 January 2015	3	185,236	3,685	(4,300)	(790)	88	8	(373)	3,223	186,780	499	187,279	
Profit for the period	—	—	—	—	—	—	—	—	13,949	13,949	41	13,990	
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	(534)	—	—	—	—	(534)	—	(534)	
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(292)	—	(292)	—	(292)	
Total comprehensive income for the period	—	—	—	—	(534)	—	—	(292)	13,949	13,123	41	13,164	
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	240	240	
Equity-settled share option arrangement	—	—	807	—	—	—	—	—	—	807	—	807	
Exercise of share option	—	962	(327)	—	—	—	—	—	—	635	—	635	
Vesting of awarded shares	—	104	(367)	263	—	—	—	—	—	—	—	—	
At 31 March 2015 (unaudited)	<u>3</u>	<u>186,302</u>	<u>3,798</u>	<u>(4,037)</u>	<u>(1,324)</u>	<u>88</u>	<u>8</u>	<u>(665)</u>	<u>17,172</u>	<u>201,345</u>	<u>780</u>	<u>202,125</u>	

	Attributable to owners of the parent												
	Issued capital	Share premium account	Share option reserve	Shares held for award schemes	Available-for-sale investment revaluation reserve	Reserve funds	Other reserve	Exchange fluctuation		Proposed		Non-controlling interests	Total equity
								reserve	reserve	losses	final dividend		
								US\$'000	US\$'000	US\$'000	US\$'000		
At 1 January 2014	3	184,675	1,553	—	—	88	8	(93)	(53,265)	2,804	135,773	—	135,773
Profit for the period	—	—	—	—	—	—	—	—	13,647	—	13,647	—	13,647
Other comprehensive income for the period:													
Changes in fair value of available-for-sale investments, net of tax	—	—	—	—	158	—	—	—	—	—	158	—	158
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(23)	—	—	(23)	—	(23)
Total comprehensive income for the period	—	—	—	—	158	—	—	(23)	13,647	—	13,782	—	13,782
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	480	480
Equity-settled share option arrangement	—	—	174	—	—	—	—	—	—	—	174	—	174
Shares purchased for share award schemes	—	—	—	(242)	—	—	—	—	—	—	(242)	—	(242)
Exercise of share option	—	24	(7)	—	—	—	—	—	—	—	17	—	17
At 31 March 2014 (unaudited)	<u>3</u>	<u>184,699</u>	<u>1,720</u>	<u>(242)</u>	<u>158</u>	<u>88</u>	<u>8</u>	<u>(116)</u>	<u>(39,618)</u>	<u>2,804</u>	<u>149,504</u>	<u>480</u>	<u>149,984</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY1-1112, Cayman Islands.

The Company is an investment holding company. The Group was principally engaged in development and operation of online games in the international market. The Company's issued ordinary shares have been listed and traded on the GEM of the Stock Exchange since 18 October 2013.

2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 December 2014. The unaudited condensed consolidated financial information has not been audited by the Company's auditors, but has been reviewed by the Company's audit committee.

The financial information prepared under the historical cost convention, except for certain available-for-sale investments, equity investments at fair value through profit or loss and derivative financial assets which have been measured at fair value. The financial information is presented in United States Dollar and all values are rounded to the nearest thousand except when otherwise indicated.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the services rendered after allowances for chargebacks.

An analysis of revenue, other income and gains from continuing operations is as follows:

	For the three months ended 31 March	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue		
Online game revenue	52,171	43,607
Joint operation revenue	1,293	432
Others	<u>121</u>	<u>16</u>
	<u>53,585</u>	<u>44,055</u>
Other income and gains		
Dividend income from available-for-sale listed investments	459	—
Government Grant	37	17
Bank interest income	170	88
Exchange gain	—	34
Others	<u>30</u>	<u>35</u>
	<u>696</u>	<u>174</u>

4. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

IGG Singapore is subject to the prevailing corporate tax rate of 17% in Singapore and is entitled to a preferential tax rate of 5% on qualifying income derived during the three months ended 31 March 2015 (2014: 5%).

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods (2014: Nil).

Under the relevant income tax law, the PRC subsidiaries are subject to income tax at a statutory rate of 25% for the three months ended 31 March 2015 (2014: 25%) on their respective taxable income, except for Fuzhou Tianmeng which was certified as software enterprises and is entitled to a 50% reduction in taxation for the three months ended 31 March 2015 (2014: 50% reduction in taxation).

IGG US, a subsidiary of the Company in the United States, was subject to federal income tax at graduated rates ranging from 15% to 39%. In addition, IGG US is also subject to a California state income tax rate of 8.84%.

Corporate income tax provision has been provided for the three months ended 31 March 2015 for the entities within the Group which were incorporated in East Asia and North America to the extent that there were estimated assessable profits under these jurisdictions. There is no significant amount of assessable profits derived from those subsidiaries.

	For the three months ended 31 March	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current period provision:		
US	37	51
Singapore	<u>899</u>	<u>1,070</u>
Subtotal of current tax	<u>936</u>	<u>1,121</u>
Deferred tax		
US	36	(46)
Singapore	32	4
PRC	<u>—</u>	<u>(44)</u>
Subtotal of deferred tax	<u>68</u>	<u>(86)</u>
Total tax charge for the period	<u><u>1,004</u></u>	<u><u>1,035</u></u>

5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the three months ended 31 March 2015 (2014: Nil).

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the respective earnings attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares in issue.

The calculation of diluted earnings per share amounts is based on the profit for the three months ended 31 March 2015 and 2014 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number during the three months ended 31 March 2015 and 2014, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the three months ended 31 March	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Earnings attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<u>13,949</u>	<u>13,647</u>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,368,965,288	1,359,049,560
Effect of dilution-weighted average number of ordinary shares:		
Share options	60,003,395	81,390,683
Awarded shares	<u>757,371</u>	<u>1,001</u>
	<u>1,429,726,054</u>	<u>1,440,441,244</u>

7. CONTINGENT LIABILITIES

Certain subsidiary of the Group is subject to legal proceedings and claims arising in the ordinary course of business. The directors are reviewing the allegations of the complaint, and consider the outcome of such proceedings and claims as quite uncertain and any possible loss is not reasonably estimable. Consequently, no provision has been made for any expenses that might arise from such legal proceedings and claims.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a rapidly growing developer and publisher of mobile online games with a global presence and international customer base. The Group has its headquarters in Singapore with regional offices in the United States, mainland China, Hong Kong, Canada, Japan, Korea, Thailand and the Philippines, with customers from over 200 countries and regions around the world.

The Group offers free-to-play mobile, browser and client-based online games in 15 different languages, the majority of which are produced by its own development teams. The bulk of the Group's technical and game development personnel are based in China to tap the large talent pool there and to leverage cost advantages. This has enabled the Group to develop games more cost-effectively compared to other companies. At the same time, to ensure that its games are of the highest quality and suit the tastes of gamers worldwide, the Group has game producers, designers, art directors and other high calibre creative talent in its offices in North America, Korea and Singapore.

During the Period, the global games industry remained highly competitive. To pursue its overall corporate strategy for 2015, the Group has maintained its focus on (i) developing mobile games, and (ii) marketing and operating the Group's mobile games globally, including setting up local teams in key markets around the world to tap into local knowledge for more effective game operations, and also using the Group's mobile advertising platform and game publishing expertise to promote the third party developers' games globally.

Mobile Games

During the Period, the Group kept on developing new games based on its strong game research and development capabilities and spirit of continuous innovation. During the Period, the Group fully focused on the development of mobile games applications.

Revenue from mobile games accounted for approximately 92.9% of the total revenue for the Period, as compared to 85.3% from the corresponding period in 2014. In particular, the Group's hit title "Castle Clash", a fast-paced tower defense game, has enjoyed widespread popularity. It ranked top five in 13 countries and regions and top ten in 46 countries and regions in terms of daily revenue rankings generated via Google Play as at 31 March 2015, according to Appannie.com, an independent third party provider of mobile application analytics. The Group has been able to extend the lifespan of "Castle Clash" by regularly introducing new game features, rapidly

resolving technical issues, and consistently providing excellent customer service, and building up a large community of loyal gamers around the world along the way. The Arabic and Vietnamese versions of “Castle Clash” were released in the first quarter of 2015. The game is now available in 15 languages on Android, iOS, Amazon and Windows Phone platforms, making it easily accessible to a majority of gamers in many parts of the world. As of 31 March 2015, the MAU of the game was over 10 million.

The Group’s another mobile game, “Clash of Lords II”, which is a fantasy strategy game with a wide array of cannons, traps and defenses, has continued to enjoy widespread popularity with gamers. With the release of the Spanish and Italian versions of “Clash of Lords II” in the first quarter of 2015, the game is now available in 9 languages. The MAU for the “Clash of Lords” series was approximately 4.0 million as at 31 March 2015.

“Deck Heroes”, another one of the Group’s self-developed games, has been performing well since its English and traditional Chinese versions were released on the Android platform in 2014. Besides, such game was made available in German and French versions on the Android platform, as well as English version on the iOS App Store, in the first quarter of 2015.

In addition to self-publishing, the Group also co-publishes its games on game platforms in selected markets, including Korea, Taiwan and the Middle East. Each of these platforms have their own community of gamers, making them a fast and effective channel to reach the target audience. Cooperating with game platforms complements the Group’s self-publishing efforts.

Global Presence

To strengthen its presence in Asia, the Group has set up regional offices in Korea, Japan and Thailand in the first quarter of 2015, recruiting local talent for game development and operations. It will boost the Group’s ability to produce and launch games to suit local market tastes and demands effectively. As at 31 March 2015, the Group has regional offices in 9 countries and regions. The Group also has outsourcing arrangements in place with companies in mainland China, Korea and Taiwan to develop new games and operate its own games.

During the Period, the Group’s customers consisted of players with IP addresses from more than 200 countries and regions around the world, emphasizing the Group’s international reach. The Group continued to design, develop and launch games in multiple languages, distribute and promote the games in different countries in accordance with its global marketing strategy. As at 31 March 2015, the user community of the Group consisted of over 240 million player accounts around the

world, including a total MAU of approximately 20.7 million. During the Period, approximately 39.6%, 29.3% and 25.1% of the total revenue of the Group was generated from players with IP addresses in North America, Europe and Asia, respectively.

New European Union value-added tax changes

The new European Union (EU) value-added tax (VAT) changes took effect on 1 January 2015. Game revenue derived by the Group are subject to VAT starting from 1 January 2015 at respective tax rates in different EU countries, ranging from 17% to 27%. The imposition of the new VAT rules in EU countries has resulted in the Group paying additional VAT and had an impact on the Group's business. Similar to the new EU VAT changes, more tax authorities worldwide are contemplating similar VAT practices which could have an adverse effect on the Group's operations.

Prospects

For existing games, the Group will work to increase revenue from "Castle Clash" on the iOS platform, where the game still has considerable growth potential. At the same time, the development team will continue to introduce new modes of play for the game, including multi-player gauntlet-style defense, a "Coliseum" mode that focuses on dueling, and "ambushes" to increase the tactical complexity of battles. The Group will also release "Clash of Lords II" in more languages, and continue to seek co-publishing opportunities with game platforms. In the short- to mid-term, the game should see continued revenue growth from newly-acquired users.

The Group expects to launch about 30 games by the end of 2015, consisting both self-developed and outsourced mobile games ranging from mid-core games such as SLG, Trading Card and APRG types to casual games such as Shooting and Marble types. Starting from June 2015, the Group expects to launch a number of new blockbusters. This includes a major action-fantasy strategy title "Game of Kings", in which the avatars can fight automatically, but players will need to control their avatars' skills and time their attacks to win; players also need to manage their resources, build their home base, collect and train avatars, and strike a balance between attack and defence. Apart from "Game of Kings", a semi-realtime RPG card game "Final Fable" adopting the themes of fairy-tale fantasies; a western fantasy turn-based RPG game "Brave Quest", and a war-strategy RPG game "Age of Kingdoms" are three other new titles to be launched in the coming months. It is expected these games will become the new growth engines of the Group.

To facilitate interaction and communication among gamers and offer maximum value to users, the Group launched LINK, an instant messaging mobile application, in August 2014. Location-based communities function is the major feature of LINK, the Group's development team has been working on improving and refining the application's community management function, content sharing and private chat functions during the Period, as well as adding more alternative languages in the application. These efforts have not only improved user experience but also converted an increasing number of non-gamers into users, making the interaction between the two groups possible. At the same time, LINK's location-based functionality has helped users go beyond virtual friendships to meet each other in real life, further enhancing their relationships and sense of community.

The business of the Group depends on effective advertising, distribution and promotional strategies to attract customers. During the Period, the Group has continued to set up its advertisement platform, as compared to its previous reliance on third-party advertisement platforms. The Company increased its investment in Tapcash Cayman, the investment holding company to hold the Group's advertising business companies pursuant to a share subscription agreement dated 9 March 2015, details of which are set forth in the Company's announcement on the same date. In addition, the Group has adopted the Tapcash Subsidiary Share Option Scheme to enhance the ability of Tapcash Cayman and its subsidiaries to attract, retain and motivate important personnel. The Tapcash Subsidiary Share Option Scheme was approved by the Shareholders at the annual general meeting on 5 May 2015. The Group expects to further expand its advertising business to further stimulate the Group's online game business.

The Group will make greater efforts to strengthen its long-term partnership with Apple, Google, Amazon, Microsoft, as well as more than 100 other global platforms and partners, to execute its global marketing strategy in an effective manner.

The Group has made several strategic investments into companies in the game industry that either have high growth potential, or with products and services that are complementary to the Group's business. One of the companies invested by the Group is Nerd Kingdom, a game developer based in the United States. Nerd Kingdom was established in 2010 by a team comprising a data scientist, an economist, a nuclear engineer and computer scientist, and a gaming industry veteran. Nerd Kingdom brings an interdisciplinary perspective to games and technology, and has created the Eternus engine, a game engine on which its flagship game, TUG, is being built. TUG is a sandbox game that encourages social collaboration, learning, and competition within a real time virtual space. The game is currently in alpha stage.

The Group will continue to seek potential merger and acquisition opportunities that could create synergies, accelerate its growth, or provide breakthroughs in its business.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was approximately US\$53.6 million, representing an increase of approximately 21.5% over US\$44.1 million for the corresponding period in the year of 2014, primarily due to the increase in revenue generated from mobile games, particularly the "Clash of Lords" series and Deck Heroes. The Group's revenue for the Period decreased by approximately 11.4% over US\$60.5 million for the fourth quarter of 2014, primarily due to: (i) from 1 January 2015, the European Union implemented changes to its tax system, as a result of which the Group's revenue from European Union countries are now subject to value added tax, so while turnover from the region remained stable, revenue that can be recognized was reduced, (ii) the depreciation of the Russian Rouble led to a decline in revenue from Russia due to foreign exchange losses, and (iii) most of the Group's new games are scheduled for launch starting from June 2015, hence there was less contribution from new games in the first quarter.

Gross profit and gross profit margin

The Group's gross profit for the Period was approximately US\$36.9 million, representing an increase of approximately 14.6% over US\$32.2 million for the corresponding period in the year of 2014, primarily due to the increase in the revenue generated from mobile games.

The Group's gross profit margin for the Period was 68.8%, representing a decrease of approximately 4.2% over 73.0% for the corresponding period in the year of 2014, primarily due to higher channel costs in relation to mobile games compared to browser games and client-based games.

Other income and gains

The Group's other income and gains for the Period was approximately US\$0.7 million, compared to approximately US\$0.2 million for the corresponding period in the year of 2014. The increase was primarily due to a special dividend resulting from investment in portfolio company as well as the increase of interest income.

Selling and distribution expenses

The Group's selling and distribution expenses for the Period were approximately US\$10.8 million, representing a decrease of approximately 2.7% over US\$11.1 million for the corresponding period in the year of 2014. Ratio of selling and distribution expenses to revenue for the Period was 20.1%, representing a decrease of approximately 5.1% over approximately 25.2% for the corresponding period in the year of 2014. The Group's selling and distribution expenses for the Period decreased by approximately 21.2% over US\$13.7 million for the fourth quarter of 2014 and the ratio of selling and distribution expenses to revenue decreased by approximately 2.5% over approximately 22.6% for the fourth quarter of 2014, which indicates that the Group's advertising activities are conducted in a more effective manner.

Administrative expenses

The Group's administrative expenses for the Period were approximately US\$5.5 million, representing an increase of approximately 83.3% over US\$3.0 million for the corresponding period in the year of 2014, primarily due to (i) the increase in salaries, performance-based bonus and welfare expenses attributable to the enlargement of administrative staff, (ii) the increase in Share-based payments expenses in connection with the share options and awarded shares granted to administrative staff, and (iii) expenses in relation to the Transfer of Listing. The Group's administrative expenses for the Period kept stable compared to approximately US\$5.5 million for the fourth quarter of 2014.

Research and development costs

The Group's research and development costs for the Period were approximately US\$5.6 million, representing an increase of approximately 69.7% over US\$3.3 million for the corresponding period in the year of 2014, primarily due to (i) the increase in salaries and performance-based bonus payable to game development team, (ii) the increase in Share-based payments expenses in connection with the share options and awarded shares granted to game developing team, and (iii) the increase in research and development outsourcing expenses attributable to the enrichment of our product portfolio. The Group's research and development costs for the Period kept stable compared to approximately US\$5.6 million for the fourth quarter of 2014.

Income tax expenses

The Group's income tax expenses for the Period were approximately US\$1.0 million, kept stable compared to approximately US\$1.0 million for the corresponding period in the year of 2014, due to the relatively similar level of profit before tax.

Adjusted net income

The Group's adjusted net income for the Period was approximately US\$14.8 million, representing an increase of approximately 7.2% over US\$13.8 million for the corresponding period in 2014, primarily due to the increase in revenue. The Group's adjusted net income for the Period decreased by 6.9% over US\$15.9 million for the fourth quarter of 2014, which was relatively slight compared to the decrease magnitude of 11.4% in revenue, primarily due to more effective advertising activities. We have presented adjusted net income for the Period as we believe that the adjusted net income for the Period is a meaningful supplement to the income statement data because it enables us to measure our profitability without taking into consideration of Share-based compensation. However, adjusted net income for the Period should not be considered in isolation or construed as an alternative to net income or operating income, or as an alternative to cash flow as a measurement of liquidity. Potential investors should be aware that the adjusted net income for the Period presented herein may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

Dividend

The Board resolved not to declare any dividend for the Period.

Contingent liabilities

As at 31 March 2015, the Group did not have any significant contingent liabilities (31 March 2014: nil).

Certain subsidiary of the Group is subject to legal proceedings and claims arising in the ordinary course of business. The Directors are reviewing the allegations of the complaint, and consider the outcome of such proceedings and claims as quite uncertain and any possible loss is not reasonably estimable. Consequently, no provision has been made for any expenses that might arise from such legal proceedings and claims.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance in the interests of Shareholders. During the Period, except for the deviation from code provision A.2.1 as disclosed below, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

Under provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and chief executive officer. Mr. Zongjian Cai is the chairman and chief executive officer of the Group. He has extensive experience in online game industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which comprise experienced and high caliber individuals. The Board currently comprises two executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

MODEL CODE

The Company has also adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code regarding directors' securities transactions during the Period and up to the date hereof.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except for the Pre-IPO Share Option Scheme, the Share Option Scheme and the Share Award Scheme, during the Period, none of the Company or any of its subsidiaries was a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

During the Period, except that on 23 March 2015 (1) Mr. Zongjian Cai and Mr. Yuan Chi, both of whom are executive Directors, were granted with 332,000 and 486,000 share options under the Share Option Scheme, respectively, (2) each of the non-executive Directors was granted with 350,000 share options under the Share Option Scheme, and (3) each of the independent non-executive Directors was granted with 250,000 share options under the Share Option Scheme, none of the Directors or chief executives of the Company held any share options under the Pre-IPO Share Option Scheme or the Share Option Scheme or any awarded shares under the Share Award Scheme.

PRE-IPO SHARE OPTION SCHEME

The Company adopted the Pre-IPO Share Option Scheme on 12 November 2008 and amended it on 16 September 2013, the principal terms of which are summarised in Appendix IV to the Prospectus. The Company should not grant any share options under the Pre-IPO Share Option Scheme after the Listing.

During the Period, except that 18,727,666 share options were exercised and 445,000 share options were lapsed due to the employment termination of the employees of the Group pursuant to the Pre-IPO Share Option Scheme, no share options granted under the Pre-IPO Share Option Scheme have been exercised, lapsed or cancelled.

SHARE OPTION SCHEME

During the Period, the Company granted a total of 6,339,000 share options with details as followings:

23 March 2015

On 23 March 2015, the Company has granted a total of 6,339,000 share options to certain eligible persons pursuant to the Share Option Scheme. Among the total 6,339,000 share options, 5,378,000 share options were granted to the connected persons of the Company, including the executive Directors, the chief executive, directors of the subsidiaries, substantial shareholders and associates of any of them. Each share option shall entitle the holder of the share option to subscribe for one Share upon exercise of such share option at an exercise price of HK\$3.90 per Share. The share options granted under the Share Option Scheme shall vest in the grantees in accordance with the timetable below, each with an exercise period commencing from the relevant share option vesting date and ending 10 years after the date of grant.

The 1,450,000 share options, which were granted to all of the non-executive Directors and independent non-executive Directors, shall be subject to a vesting period as follows:

Share option vesting date	Percentage of share options to vest
On or after the date of the annual general meeting to be convened in 2016	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2017	One-third of the total number of share options granted
On or after the date of the annual general meeting to be convened in 2018	One-third of the total number of share options granted

The remaining 4,889,000 share options shall be subject to a vesting period as follows:

Share option vesting date	Percentage of share options to vest
On or after 23 March 2016	25% of the total number of share options granted
On or after 23 March 2017	25% of the total number of share options granted
On or after 23 March 2018	25% of the total number of share options granted
On or after 23 March 2019	25% of the total number of share options granted

On the same date, the Company has irrevocably cancelled an aggregate of 9,742,500 share options previously granted by the Company pursuant to the Share Option Scheme on 25 March 2014, 12 May 2014, 11 August 2014 and 21 November 2014, following the Company's receipt of irrevocable written requests to cancel from the relevant share option grantees.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013.

During the Period, the Company has granted a total of 2,935,244 awarded shares to certain selected grantees at nil consideration pursuant to the Share Award Scheme on 23 March 2015, all of whom are third parties independent from the Company and its connected persons.

23 March 2015

On 23 March 2015, the Company granted 2,935,244 awarded shares to certain selected grantees at nil consideration. The awarded shares granted shall vest in the share award grantees in accordance with the schedule below:

Share award vesting date	Percentage of awarded shares to vest
On 23 March 2016	25% of the total number of awarded shares granted
On 23 March 2017	25% of the total number of awarded shares granted
On 23 March 2018	25% of the total number of awarded shares granted
On 23 March 2019	25% of the total number of awarded shares granted

Once vested, at the request of the relevant share award grantees, the awarded shares can be transferred to the relevant share award grantees from the Computershare Hong Kong Trustees Limited (the “**Trustee**”), or, the Trustee can sell the vested awarded shares for them and subsequently transfer the income arising from such sales to the relevant share award grantees.

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

The headquarter and principal place of business in Singapore of the Company were changed to 315 Alexandra Road #04-03 Sime Darby Business Centre Singapore 159944 with effect from 30 April 2015.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and to supervise the financial reporting process and internal control systems of the Group. The audit committee comprises all non-executive Directors and all independent non-executive Directors, namely Dr. Horn Kee Leong (chairman of the audit committee), Mr. Xiaojun Li, Mr. Kee Lock Chua, Mr. Dajian Yu, Ms. Zhao Lu.

The audit committee has reviewed the unaudited financial statements of the Group for the Period and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure in accordance with the GEM Listing Rules has been made in respect thereof.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

COMPETING INTEREST

None of the Directors or the Controlling Shareholders or the substantial shareholders of the Company or their respective associates has any interest in any business which competes or may compete with the business of the Group for the Period.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by China Everbright Capital Limited (“**China Everbright**”), the Company's compliance adviser, neither China Everbright nor any of its directors or employees or associates had any significant interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2015.

USE OF PROCEEDS

The Company's Shares were listed on the GEM of the Stock Exchange on 18 October 2013. The net proceeds received by the Company by way of placing amounted to approximately US\$105.0 million, which have been applied and will be applied in accordance with the disclosures set out in the section headed “Statement of Business Objective and Use of Proceeds” in the Prospectus.

PUBLICATION OF QUARTERLY RESULTS AND QUARTERLY REPORT

This quarterly results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.igg.com>). The quarterly report for the Period containing all the information required by the GEM Listing Rules will be dispatched to Shareholders and available on the same websites in due course.

DEFINITION

“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Company”	IGG Inc, a company incorporated in the Cayman Islands whose shares are listed on the GEM
“Controlling Shareholders”	has the meaning ascribed thereto in the GEM Listing Rules and unless the context requires otherwise, refers to Mr. Zongjian Cai, Mr. Yuan Chi, Duke Online Holdings Limited, Edmond Online Holdings Limited, Ms. Kai Chen (spouse of Mr. Zongjian Cai), Mr. Zhixiang Chen, Mr. Yuan Xu and Mr. Hong Zhang
“Corporate Governance Code”	Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Fuzhou Tianmeng”	Fuzhou Skyunion Digital Co., Ltd* (福州天盟數碼有限公司), a limited liability company established under the laws of the PRC on 12 December 2006, which is owned as to 50% by Mr. Zongjian Cai and 50% by Mr. Yuan Chi, respectively
“GEM”	Growth Enterprise Market
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IGG US”	Sky Union, LLC, a limited liability company formed in the State of Nevada, the United States, on 21 October 2005, a wholly-owned subsidiary of the Group
“Listing” or “Placing”	the listing of the Shares on the GEM

“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“MAU”	monthly active users
“Model Code”	the required standard of dealings for securities transactions by directors of listed issuers as set out in Rules 5.48 to 5.67 of the GEM Listing Rules adopted by the Company on 16 September 2013
“Nerd Kingdom”	Nerd Kingdom Inc., a company incorporated under the laws of the United States with limited liability, an associate of the Company
“Period”	the three months ended 31 March 2015
“PRC”, “China” or “mainland China”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 11 October 2013
“Pre-IPO Share Option Scheme”	the share option scheme adopted by the Company on 12 November 2008 and amended by written resolutions of all Shareholders passed on 16 September 2013, certain principal terms of which are summarised in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix IV to the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.0000025 each in the share capital of the Company
“Share Award Scheme”	the share award scheme adopted by the Company on 24 December 2013, the principal terms of which are summarised in the announcement of the Company dated 24 December 2013
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 16 September 2013, the principal terms of which are summarised under the paragraph headed “Share Option Scheme” in Appendix IV to the Prospectus
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Tapcash Cayman”	Tap Media Technology Inc., an exempted company incorporated under the laws of the Cayman Islands with limited liability on 11 November 2014, a subsidiary of the Company
“Tapcash Subsidiary Share Option Scheme”	the share option scheme of Tapcash Cayman and its subsidiaries, the principal terms of which were summarized in the circular of the Company dated 31 March 2015
“Transfer of Listing”	the proposed transfer of listing of the Shares from GEM to the Main Board
“US\$”	United States dollars, the lawful currency of the United States of America
%	per cent
“*”	for identification only

If there is any inconsistency between the English and Chinese texts of this announcement, the English text of this announcement shall prevail over the Chinese text.

By Order of the Board
IGG INC
Zongjian Cai
Chairman

Hong Kong, 5 May 2015

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Zongjian Cai and Mr. Yuan Chi; two non-executive Directors, namely, Mr. Xiaojun Li and Mr. Kee Lock Chua; and three independent non-executive Directors, namely, Dr. Horn Kee Leong, Mr. Dajian Yu and Ms. Zhao Lu.

This announcement will remain on the “Latest Company Announcements” page of the Growth Enterprise Market website at <http://www.hkgem.com> for at least 7 days from the date of its posting and be posted on the website of the Company at <http://www.igg.com>.